

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE

County of Macomb, Michigan

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

PREPARED IN ACCORDANCE WITH GASB 34

September 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type LIBRARY COOP <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name SUBURBAN LIBRARY COOPERATIVE	County MACOMB
Audit Date 9/30/05	Opinion Date 11/2/05	Date Accountant Report Submitted to State: 12/9/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BUSS & COMPANY, P.C.			
Street Address 42550 GARFIELD, SUITE 105	City CLINTON TWP.	State MI	ZIP 48038
Accountant Signature <i>Buss & Company, PC</i>		Date	

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
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September 30, 2005

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INDEPENDENT AUDITOR'S REPORT

November 2, 2005

Board of Trustees
Suburban Library Cooperative
County of Macomb, Michigan

Honorable Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Suburban Library Cooperative as of September 30, 2005, and for the year then ended which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Suburban Library Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the remaining fund information of the Suburban Library Cooperative as of September 30, 2005, and the respective changes in financial position and cash flows where applicable for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
Suburban Library Cooperative
November 2, 2005
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The management's discussion and analysis on pages 3 through 5 and budgetary comparison schedule on page 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Suburban Library Cooperative's basic financial statements. The other supplemental information is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

BUSS & COMPANY, P.C.



Certified Public Accountants

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SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2005

Using this Annual Report

This annual report consists of four parts - *Management's discussion and analysis* (this section), the *basic financial statements*, *required supplemental information*, and *other supplemental information*. The basic financial statements include information that presents two different views of the Cooperative:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Cooperative's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Cooperative as a whole and present a longer-term view of the Cooperative's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The fund financial statements include information on the Cooperative in more detail than the government-wide financial statements. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Cooperative's sources and uses of funds. The Fiduciary Fund financial statements provide information about activities for which the Cooperative is solely acting as an agent for a non-profit organization.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplemental information and other supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below provides key financial information in a condensed format for the current year and prior year.

	<u>2005</u>	<u>2004</u>
Current assets	\$2,884,954	\$2,771,898
Capital assets	<u>268,455</u>	<u>379,558</u>
Total Assets	<u>\$3,153,409</u>	<u>\$3,151,456</u>
Other liabilities	<u>\$ 523,495</u>	<u>\$ 576,628</u>
Total Liabilities	<u>\$ 523,495</u>	<u>\$ 576,628</u>
Net Assets:		
Invested in capital assets	\$ 268,455	\$ 379,558
Unrestricted	<u>2,361,459</u>	<u>2,195,270</u>
Total Net Assets	<u>\$2,629,914</u>	<u>\$2,574,828</u>
Revenue:		
State revenues	\$ 772,853	\$ 772,690
Charges for services	1,020,379	1,030,416
Other	<u>91,066</u>	<u>25,228</u>
Total Revenue	<u>\$1,884,298</u>	<u>\$1,828,334</u>
Expenses - Cooperative services	\$ 854,477	\$ 635,073
- Automation system operations	<u>974,735</u>	<u>935,794</u>
Total Expenses	<u>\$1,829,212</u>	<u>\$1,570,867</u>
Change in Net Assets	<u>\$ 55,086</u>	<u>\$ 257,467</u>

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
September 30, 2005

The Cooperative as a Whole

- The Cooperative's net assets increased by \$55,086 this year. This reflects that current users, and other supporters of the Cooperative have paid the full cost of operating the Cooperative, even after depreciation.
- The Cooperative's primary sources of revenue are from state revenues, which represents 41% of total revenue and charges for services to its members, which represents 54% of total revenue.
- Total expenses were 97% of total revenue for the year ended September 30, 2005. Salaries and fringe benefits amount to approximately 24% of total expenditures.

The Cooperative's Funds

The Cooperative uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Cooperative is being accountable for the resources provided and insight into the Cooperative's financial health.

The Cooperative's major funds are as follows:

General Fund - The General Fund is used to account for the general operations of the Cooperative. This fund records revenues and expenditures using the modified accrual basis of accounting. The fund balance of the General Fund decreased during the year by \$31,124. The total General Fund fund balance at September 30, 2005 was \$771,373.

Proprietary Fund - The Proprietary Fund is used to record the revenues, expenses and resulting income for the shared automation system. The fund reported an increase in net assets of \$89,604. Net assets of the Proprietary Fund at September 30, 2005 were \$1,850,886.

In addition, the Cooperative maintains a Fiduciary Fund to account for the activities of Macomb Literacy Partners, Inc., a non-profit corporation.

Cooperative Budgetary Highlights

Over the course of the year, the Cooperative Board amended the budget to take into account events that occurred during the year. There were no significant amendments made to the budget during the year.

Income and expenses from a grant received in the previous year, which continued into the 2004-05 budget year was mistakenly excluded.

The Cooperative has been very vigilant in looking for ways to lower costs while still providing the same services. The following are areas where actual expenditures were significantly less than anticipated.

General Fund: Personnel costs were less than budgeted due to 2 staff members declining health benefits in favor of the monetary allocation during all or a part of the year. Interlibrary loan expenditures were lessened because of a decrease in the cost of delivery of items in Michigan. We are now a part of the Michigan eLibrary delivery system which is an annual fee that covers unlimited deliveries to all participating libraries. This has decreased our dependence on USPS and UPS for many deliveries.

Proprietary Fund: Depreciation costs were significantly less than budgeted due to a decrease in capital expenditures in previous years. Internet costs were also less than anticipated due to a favorable change in the rates for our cable connections.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
September 30, 2005

Capital Assets

At the end of the fiscal year, the Cooperative had \$268,455 invested in net capital assets, including site improvements, office furniture and equipment, computer equipment and software. The Cooperative added \$72,822 of capital assets consisting of computer equipment, software and site improvements.

Economic Factors and Considerations for Next Year

The Cooperative is always sensitive to financial issues at the state level. Revenues for the Cooperative's General Fund are dependent on the state. Due to legislatively mandated cuts in state aid revenues, we have budgeted for a smaller allocation than in the previous year. We will be keeping a close watch on any state action that would further diminish this revenue stream.

All of our current member libraries are continuing with the shared automation system and we expect no significant changes in our expenditures.

Contacting the Cooperative's Management

This financial report is intended to provide our citizens, members, customers and investors with a general overview of the Cooperative's finances and to show the Cooperative's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Cooperative Director at 16480 Hall Road, Clinton Township, Michigan 48038.

BUSS & COMPANY, P.C.CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Exhibit 1

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
STATEMENT OF NET ASSETS
September 30, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>GENERAL</u>	<u>FUND</u>	<u>ENTERPRISE</u>	<u>TOTAL</u>
			<u>FUND</u>	
<u>ASSETS</u>				
Cash and cash equivalents	\$	703,981	\$1,021,401	\$1,725,382
Certificates of deposit		301,224	301,189	602,413
Investments		140,065	280,131	420,196
Due from other governmental units		136,363	600	136,963
Capital assets, net		<u>7,655</u>	<u>260,800</u>	<u>268,455</u>
Total Assets		<u>\$1,289,288</u>	<u>\$1,864,121</u>	<u>\$3,153,409</u>
<u>LIABILITIES</u>				
Accounts payable	\$	5,786	\$ 2,816	\$ 8,602
Due to member libraries		495,079	-	495,079
Deferred revenue		7,447	-	7,447
Accrued salaries		<u>1,948</u>	<u>10,419</u>	<u>12,367</u>
Total Liabilities		<u>\$ 510,260</u>	<u>\$ 13,235</u>	<u>\$ 523,495</u>
<u>NET ASSETS</u>				
Invested in capital assets	\$	7,655	\$ 260,800	\$ 268,455
Unrestricted		<u>771,373</u>	<u>1,590,086</u>	<u>2,361,459</u>
Total Net Assets		<u>\$ 779,028</u>	<u>\$1,850,886</u>	<u>\$2,629,914</u>

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2005

FUNCTIONS/PROGRAMS:	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
Primary Government:						
Governmental Activities:						
Cooperative services/operations	\$ 854,477	\$ -	\$ 17,714	(\$836,763)	\$ -	(\$ 836,763)
Business-Type Activities:						
Automation system/operations	<u>974,735</u>	<u>1,020,379</u>	<u>-</u>	<u>-</u>	<u>45,644</u>	<u>45,644</u>
Total	<u>\$1,829,212</u>	<u>\$1,020,379</u>	<u>\$ 17,714</u>	<u>(\$836,763)</u>	<u>\$ 45,644</u>	<u>(\$ 791,119)</u>
<u>GENERAL REVENUES:</u>						
State revenues				\$772,853	\$ -	\$ 772,853
Interest on investments				26,679	36,613	63,292
Other miscellaneous				<u>2,713</u>	<u>7,347</u>	<u>10,060</u>
Total General Revenues and Special Item				<u>\$802,245</u>	<u>\$ 43,960</u>	<u>\$ 846,205</u>
CHANGE IN NET ASSETS				(\$ 34,518)	\$ 89,604	\$ 55,086
<u>NET ASSETS:</u>						
Beginning of year				<u>813,546</u>	<u>1,761,282</u>	<u>2,574,828</u>
End of year				<u>\$779,028</u>	<u>\$1,850,886</u>	<u>\$2,629,914</u>

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
GOVERNMENTAL FUND BALANCE SHEET - GENERAL FUND
September 30, 2005

ASSETS

Cash and cash equivalents	\$ 703,981
Certificates of deposit	301,224
Investments	140,065
Due from other governmental units	<u>136,363</u>
Total Assets	<u>\$1,281,633</u>

LIABILITIES

Accounts payable	\$ 5,186
Due to member libraries	495,079
Deferred revenue	7,447
Accrued salaries	1,948
Due to other funds	<u>600</u>
Total Liabilities	\$ 510,260

FUND BALANCE

Unrestricted	<u>771,373</u>
Total Liabilities and Fund Balance	<u>\$1,281,633</u>

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF NET ASSETS
September 30, 2005

TOTAL FUND BALANCE - GOVERNMENTAL FUND

\$771,373

Amounts reported for governmental activities in the statement of net
assets are different because:

Capital assets used in the governmental activities are not financial
resources and are not reported in the governmental funds:

Capital assets

\$ 48,289

Accumulated depreciation

(40,634)

7,655

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES

\$779,028

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND - GENERAL FUND
For The Year Ended September 30, 2005

REVENUES:

State aid - Direct	\$385,602
- Indirect	387,251
Interest	26,679
Miscellaneous	2,713
Grants	<u>17,714</u>
Total Revenues	<u>\$819,959</u>

EXPENDITURES:

Personnel:	
Salaries and employee benefits	\$169,952
Travel, conferences and training	6,784
Administrative services:	
Professional services	11,935
Operating costs	42,828
Grant expenditures	17,714
Cooperative services:	
Centralized purchasing	275,000
Continuing education	9,229
Delivery	54,238
Interlibrary loan	68,651
Special projects	<u>194,752</u>
Total Expenditures	<u>\$851,083</u>

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (\$ 31,124)

FUND BALANCE - OCTOBER 1, 2004 802,497

FUND BALANCE - SEPTEMBER 30, 2005 \$771,373

See accompanying notes to financial statements

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
September 30, 2005

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES - GOVERNMENTAL FUND (\$ 31,124)

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement
of Activities, these costs are capitalized and depreciated over their
useful lives as depreciation

Depreciation expense (3,394)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$ 34,518)

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
PROPRIETARY FUND BALANCE SHEET
September 30, 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$1,021,401
Certificates of deposit	301,189
Investments	280,131
Due from other funds	<u>600</u>
Total Current Assets	\$1,603,321

NONCURRENT ASSETS:

Capital assets, net	<u>260,800</u>
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Total Assets	<u>\$1,864,121</u>
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LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 2,816
Accrued salaries	<u>10,419</u>

Total Liabilities	<u>\$ 13,235</u>
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NET ASSETS

Invested in capital assets	\$ 260,800
Unrestricted assets	<u>1,590,086</u>

Total Net Assets	<u>\$1,850,886</u>
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Total Liabilities and Net Assets	<u>\$1,864,121</u>
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See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For The Year Ended September 30, 2005

<u>REVENUES:</u>		
Member terminal rental		\$ 993,600
Equipment maintenance		25,519
Workshops		<u>1,260</u>
Total Operating Revenues		<u>\$1,020,379</u>
<u>EXPENSES:</u>		
Administration:		
Salaries and employee benefits		\$ 276,574
Travel, conferences and training		12,000
Automation System:		
Depreciation		180,531
Maintenance		142,017
Telecommunications		34,958
Internet		112,795
Cataloging		196,030
Continuing education		1,480
Operating costs		<u>18,350</u>
Total Operating Expenses		<u>\$ 974,735</u>
OPERATING INCOME		<u>\$ 45,644</u>
<u>NON-OPERATING REVENUES:</u>		
Interest		\$ 36,613
Miscellaneous		<u>7,347</u>
Total Non-Operating Revenues		<u>\$ 43,960</u>
CHANGE IN NET ASSETS		<u>\$ 89,604</u>
NET ASSETS - OCTOBER 1, 2004		<u>1,761,282</u>
NET ASSETS - SEPTEMBER 30, 2005		<u>\$1,850,886</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Exhibit 9

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
PROPRIETARY FUND STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from members	\$ 980,706
Cash paid to suppliers for goods and services	(550,837)
Cash paid to employees	(205,493)
Net Cash Flows - Operating Activities	\$ 224,376

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchases of capital assets	(\$ 72,822)
Net Cash Flows - Capital and Related Financing Activities	(\$ 72,822)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	\$ 36,613
(Purchases) maturities of investments	(2,620)
Net Cash Flows - Investing Activities	\$ 33,993

NET INCREASE IN CASH

\$ 185,547

CASH AND CASH EQUIVALENTS - OCTOBER 1, 2004

1,137,043

CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2005

\$1,322,590

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 45,644
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	180,531
Miscellaneous income	7,347
(Increase) decrease in:	
Due from other funds	(600)
Prepaid expenses	35,496
Increase (decrease) in:	
Accounts payable	1,355
Accrued salaries	1,725
Deferred revenue	(47,020)
Due to other funds	(102)
Net Cash Flows - Operating Activities	<u>\$ 224,376</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
FIDUCIARY FUND STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2005

ASSETS

Cash and cash equivalents	\$ 68,166
Investments	1,703
Due from other governmental units	5,421
Capital assets	<u>35,944</u>

Total Assets	<u>\$111,234</u>
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LIABILITIES

Accounts payable	\$ 351
Accrued salaries	<u>2,519</u>

Total Liabilities	\$ 2,870
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NET ASSETS

Unrestricted	<u>108,364</u>
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Total Liabilities and Net Assets	<u>\$111,234</u>
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See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
FIDUCIARY FUND STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For The Year Ended September 30, 2005

REVENUES:

Community contributions:	
Unrestricted	\$138,401
Restricted	300
Read to Me Program revenues	27,487
Grants	<u>33,994</u>
Total Revenues	<u>\$200,182</u>

EXPENSES:

Personnel:	
Salaries	\$130,757
Benefits	44,598
Insurance	1,468
Contracted services	19,890
Administration:	
Operating expenses	17,856
Postage	1,172
Repairs and maintenance	122
Memberships	750
Unrealized loss on investment	<u>51</u>
Total Expenses	<u>\$216,664</u>

CHANGE IN NET ASSETS (\$ 16,482)

NET ASSETS - OCTOBER 1, 2004 124,846

NET ASSETS - SEPTEMBER 30, 2005 \$108,364

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Suburban Library Cooperative (the "Cooperative") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

A. GOVERNMENTAL REPORTING ENTITY

The Suburban Library Cooperative operates under the authority of P.A. 89 of 1977. The Cooperative provides services to its member libraries. The Cooperative is governed by an appointed nine member board representative of the participating libraries. The Cooperative has no component units as defined by the Governmental Accounting Standards Board.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Cooperative's net assets are reported in two parts - invested in capital assets and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to member libraries who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. State revenues and other items are not properly included among program revenues, and are reported instead as general revenue.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Cooperative.

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2005

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Cooperative's proprietary fund is charges to member libraries for the shared automation system. Operating expenses for the proprietary funds include administrative expenses and the cost of operating the automation system including depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Proprietary Fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Fees collected for maintenance are recognized when billed.

The Cooperative reports the General Fund as a major governmental fund and its Enterprise Fund as a major proprietary fund.

The General Fund is the Cooperative's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The Proprietary Fund is an enterprise fund used to record the revenues and expenses and resulting change in net assets of the Cooperative's shared automation system for member libraries.

Additionally, the Cooperative includes a Fiduciary Fund which is used to account for the revenues and expenses of Macomb Literacy Partners, Inc., a non-profit corporation.

C. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Cash Equivalents, Certificates of Deposit and Investments

The Cooperative is authorized to invest surplus funds in U.S. bonds and notes, certificates of deposit repurchase agreements, and certain investment pools that are composed of authorized investments. During the year ended September 30, 2005, the Cooperative invested in U.S. bonds, certificates of deposit, and investment pools.

For purposes of the statement of cash flows, the Cooperative considers all short-term investments with an original maturity of six months or less to be cash equivalents.

Capital Assets

Capital assets are defined by the Cooperative as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	5-10 years
Site improvements	5 years
Computer equipment and software	3-5 years

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2005

C. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Compensated Absences

It is the Cooperative's policy to permit employees to accumulate earned but unused vacation pay. There is no liability for unpaid accumulated sick leave since the Cooperative does not pay any amounts when employees separate from service. A liability for vacation pay benefits and related payroll taxes has been recorded in all funds at September 30, 2005.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

Annual operating budgets consistent with generally accepted accounting principles are formally adopted for the General Fund and the Proprietary Fund. The budgets can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end.

During the year ended September 30, 2005, the Cooperative incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated by expenditure classification as follows:

	<u>APPROPRIATION</u>	<u>EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
GENERAL FUND:			
Grant expenditures	\$ -	\$ 17,714	\$ 17,714

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2005

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

Deposits are carried at cost plus accrued interest which approximates fair value.

At year end, the Cooperative's deposits and investments were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS TYPE ACTIVITIES</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and cash equivalents	\$1,005,205	\$1,322,590	\$ 68,166	\$2,395,961
Investments	<u>140,065</u>	<u>280,131</u>	<u>1,703</u>	<u>421,899</u>
Total	<u>\$1,145,270</u>	<u>\$1,602,721</u>	<u>\$ 69,869</u>	<u>\$2,817,860</u>

As of September 30, 2005, the Cooperative had the following investments:

	<u>MATURITY</u>	<u>S & P RATING</u>	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
Federal Home Loan Bank Bonds	11/15/2028	AAA	\$420,196	\$420,196
Cisco Systems	-	N/R	<u>1,703</u>	<u>1,703</u>
			<u>\$421,899</u>	<u>\$421,899</u>

Credit Risk - The Cooperative's investments are limited by state statutes. The Cooperative has no investment policy that would further limit its investment choices.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. The Cooperative does not have a deposit policy for custodial credit risk. As of September 30, 2005, \$1,535,180 of the Cooperative's bank balance of \$2,435,180 was exposed to custodial risk as follows:

<u>DEPOSITS</u>	<u>INSURED (FDIC)</u>	<u>UNINSURED AND UNCOLLATERALIZED</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Demand Deposits	\$100,000	\$1,435,180	\$1,493,548	\$1,535,180
Money Market Funds	200,000	100,000	300,000	300,000
Certificates of Deposit	<u>600,000</u>	<u>-</u>	<u>602,413</u>	<u>600,000</u>
	<u>\$900,000</u>	<u>\$1,535,180</u>	<u>\$2,395,961</u>	<u>\$2,435,180</u>

(Continued)

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2005

B. CAPITAL ASSETS

Capital asset activity of the Cooperative was as follows:

	<u>BALANCE</u> <u>OCTOBER 1, 2004</u>	<u>ADDITIONS</u>	<u>DISPOSALS AND</u> <u>ADJUSTMENTS</u>	<u>BALANCE</u> <u>SEPTEMBER 30, 2005</u>
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital assets being depreciated:				
Office furniture and equipment	\$ 50,182	\$ -	(\$ 1,893)	\$ 48,289
Accumulated depreciation	(39,133)	(3,394)	1,893	(40,634)
Total Governmental Activities Capital Assets, Net	<u>\$ 11,049</u>	<u>(\$ 3,394)</u>	<u>\$ -</u>	<u>\$ 7,655</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Capital assets being depreciated:				
Computer equipment and software	\$ 962,234	\$ 72,822	(\$ 21,461)	\$1,013,595
Site improvements	122,333	-	-	122,333
Total	<u>\$1,084,567</u>	<u>\$ 72,822</u>	<u>(\$ 21,461)</u>	<u>\$1,135,928</u>
Accumulated depreciation:				
Computer equipment and software	(\$ 606,546)	(\$176,730)	\$ 21,461	(\$ 761,815)
Site improvements	(109,512)	(3,801)	-	(113,313)
Total	<u>(\$ 716,058)</u>	<u>(\$180,531)</u>	<u>\$ 21,461</u>	<u>(\$ 875,128)</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 368,509</u>	<u>(\$107,709)</u>	<u>\$ -</u>	<u>\$ 260,800</u>

IV. PENSION PLAN

The Cooperative has established a Simplified Employee Pension Plan. The contribution is a percent of salaries as determined by the governing body of the Cooperative. The contribution for the year ended September 30, 2005 was approximately \$52,000 on covered payroll of approximately \$346,900 which included a retroactive adjustment. Total payroll for the year ended September 30, 2005 was approximately \$336,700. The plan covers all employees of the Cooperative who are age 21 and over and have been employed for six months.

(Continued)

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2005

V. DEFERRED COMPENSATION PLAN

The Cooperative contributes to a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by ICMA Retirement Corporation under an administrative service agreement. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

ICMA Retirement Corporation is responsible for plan administration. The Cooperative does not have any fiduciary or administrative responsibility for the plan. Therefore, the plan assets are not reported in the Cooperative's financial statement.

VI. RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, unemployment benefits, as well as medical and workers' compensation benefits provided to employees. The Cooperative has purchased commercial insurance for workers' compensation, general liability, health, and life claims.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND - GENERAL FUND
For The Year Ended September 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES:</u>				
State aid - Direct	\$386,384	\$385,602	\$385,602	\$ -
- Indirect	386,384	387,250	387,251	1
Interest	13,000	15,000	26,679	11,679
Miscellaneous	-	2,563	2,713	150
Grants	-	-	17,714	17,714
Total Revenues	<u>\$785,768</u>	<u>\$790,415</u>	<u>\$819,959</u>	<u>\$ 29,544</u>
<u>EXPENDITURES:</u>				
Personnel:				
Salaries and employee benefits	\$180,000	\$180,000	\$169,952	\$ 10,048
Travel, conferences and training	10,000	10,000	6,784	3,216
Administrative services:				
Professional services	10,000	15,000	11,935	3,065
Operating costs	56,528	51,177	42,828	8,349
Grant expenditures	-	-	17,714	(17,714)
Cooperative services:				
Centralized purchasing	275,000	275,000	275,000	-
Continuing education	10,000	10,000	9,229	771
Delivery	54,240	54,238	54,238	-
Interlibrary loan	95,000	95,000	68,651	26,349
Special projects	<u>195,000</u>	<u>200,000</u>	<u>194,752</u>	<u>5,248</u>
Total Expenditures	<u>\$885,768</u>	<u>\$890,415</u>	<u>\$851,083</u>	<u>\$ 39,332</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(\$100,000)</u>	<u>(\$100,000)</u>	<u>(\$ 31,124)</u>	<u>\$ 68,876</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

OTHER SUPPLEMENTAL INFORMATION

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
PROPRIETARY FUND
For The Year Ended September 30, 2005

	BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
<u>REVENUES:</u>			
Member terminal rental	\$ 984,400	\$ 993,600	\$ 9,200
Equipment maintenance	25,000	25,519	519
Workshops	1,260	1,260	-
Total Operating Revenues	<u>\$1,010,660</u>	<u>\$1,020,379</u>	<u>\$ 9,719</u>
<u>EXPENSES:</u>			
Administration:			
Salaries and employee benefits	\$ 285,000	\$ 276,574	\$ 8,426
Travel, conferences and training	12,000	12,000	-
Automation System:			
Depreciation	205,000	180,531	24,469
Maintenance	148,000	142,017	5,983
Telecommunications	35,000	34,958	42
Internet	130,000	112,795	17,205
Cataloging	200,000	196,030	3,970
Continuing education	2,000	1,480	520
Operating costs	20,910	18,350	2,560
Total Operating Expenses	<u>\$1,037,910</u>	<u>\$ 974,735</u>	<u>\$ 63,175</u>
OPERATING INCOME (LOSS)	<u>(\$ 27,250)</u>	<u>\$ 45,644</u>	<u>\$ 72,894</u>
<u>NONOPERATING REVENUES:</u>			
Interest	\$ 20,000	\$ 36,613	\$ 16,613
Miscellaneous	7,250	7,347	97
Total Nonoperating Revenues	<u>\$ 27,250</u>	<u>\$ 43,960</u>	<u>\$ 16,710</u>
CHANGE IN NET ASSETS	<u>\$ -</u>	<u>\$ 89,604</u>	<u>\$ 89,604</u>

See accompanying notes to financial statements.

SUBURBAN LIBRARY COOPERATIVE
County of Macomb, Michigan
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS - BUDGET AND ACTUAL
FIDUCIARY FUND
For The Year Ended September 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<u>REVENUES:</u>			
Community contributions:			
Unrestricted	\$136,437	\$138,401	\$ 1,964
Restricted	300	300	-
Read to Me Program revenues	26,637	27,487	850
Grants	<u>33,994</u>	<u>33,994</u>	<u>-</u>
 Total Revenues	 <u>\$197,368</u>	 <u>\$200,182</u>	 <u>\$ 2,814</u>
 <u>EXPENSES:</u>			
Personnel:			
Salaries	\$132,500	\$130,757	\$ 1,743
Benefits	45,000	44,598	402
Insurance	1,468	1,468	-
Contracted services	19,000	19,890	(890)
Administration:			
Operating expenses	18,000	17,856	144
Postage	2,000	1,172	828
Repairs and maintenance	150	122	28
Memberships	750	750	-
Unrealized loss on investment	<u>-</u>	<u>51</u>	<u>(51)</u>
 Total Expenses	 <u>\$218,868</u>	 <u>\$216,664</u>	 <u>\$ 2,204</u>
 CHANGE IN NET ASSETS	 <u>(\$ 21,500)</u>	 <u>(\$ 16,482)</u>	 <u>\$ 5,018</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

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MEMBERS
The American Institute of
Certified Public Accountants
The Michigan Association of
Certified Public Accountants

November 2, 2005

Board of Trustees
Suburban Library Cooperative
16480 Hall Road
Clinton Township, Michigan 48038

In planning and performing the audit of the financial statements of the Suburban Library Cooperative for the year ended September 30, 2005, we considered its internal control structure, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. The following items are presented that could affect the Suburban Library Cooperative's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Internal control comments are made encompassing the concept that the cost of any internal control system should not be greater than the benefits obtained. The accomplishment of recommendations that are of a legal compliance versus internal control nature are not covered by the same cost concept, but are governed solely by legal requirements.

COMMENTS

The Cooperative's budgets were reviewed for compliance with the Uniform Accounting and Budgeting Act. The Act requires that expenditures in a specific appropriations account, in excess of the original budget, be approved by the Board with a transfer or supplemental appropriation. During the year ended September 30, 2005, expenditures in excess of the amount appropriated by the Board were incurred in certain accounts, which are identified in Note IIA.

As indicated in Schedule No. 1, on page 23, actual revenues for the General Fund were greater than budgeted revenues by \$29,544. Actual expenditures were less than budgeted expenditures by \$39,332. The General Fund expended \$31,124 in excess of revenues, but had budgeted to expend \$100,000 in excess of revenues. This difference represents a favorable variance of \$68,876 and indicates that management is operating within the approved budget.

COMMENTS
(Continued)

Schedule No. 2, on page 24, indicates actual revenues for the Proprietary Fund were greater than budgeted revenues by \$26,429. Actual expenses were less than budgeted expenses by \$63,175. The Proprietary Fund experienced an increase in net assets of \$89,604. This difference represents a favorable variance and indicates that the fees being charged to the member libraries adequately covered the funds expenses.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts, that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, none of the conditions described above is believed to be a material weakness.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Suburban Library Cooperative. This restriction is not intended to limit distribution of this report which, upon acceptance by the Suburban Library Cooperative, is a matter of public record.

Respectfully submitted,

BUSS & COMPANY, P.C.



Certified Public Accountants